



TENNESSEE DEPARTMENT OF REVENUE
COMMISSIONER LOREN L. CHUMLEY
www.Tennessee.gov/revenue

Streamlined Sales and Use Tax Project

Fact Sheet

What is the Streamlined Sales Tax Project?

- The Streamlined Sales Tax Project is a four-year effort by Tennessee, 42 other states and the District of Columbia, local governments and many businesses to develop more simplified and uniform tax laws in all states so that business can more easily comply with sales and use tax requirements.
- The Streamlined Sales and Use Tax Project and Streamlined Sales Tax Implementing States passed the Streamlined Sales Tax Agreement on Nov. 12, 2002. The agreement was amended Nov. 19, 2003.
- The Agreement provides a way to address the uneven playing field that exists between local merchants and remote merchants with regard to sales tax collection requirements.
- The Agreement also provides a way to address the loss of revenues that governments are experiencing as a result of the growth of electronic commerce.

Is this a new tax?

No. It is important to remember that Streamlined Sales Tax is not a new tax. It is a way to make sales tax simpler and more uniform. By making each of the states laws simpler and more uniform, states hope to collect tax that has been part of our laws for nearly 50 years. Consumers owe this today but generally do not pay this tax.

When does Streamlined legislation become effective?

Originally, Tennessee's law changes had an effective date that was contingent on the effective date of the Streamlined Sales and Use Tax Agreement. However, with the enactment of 2004 Streamlined technical corrections legislation, Tennessee's effective date for Streamlined changes will be July 1, 2005, except for the provisions related to the single article cap limitations. Until Jan. 1, 2006, single article cap limitations will remain the same under the Streamlined legislation. Effective Jan. 1, 2006, the Streamlined legislation will remove single article cap limitations except in the case of sales of motor vehicles, boats, planes, and mobile or manufactured homes.

How will Streamlined Sales Tax affect Tennessee?

In order to make it possible for Tennessee to become a Streamlined member state, Tennessee's legislature had to make numerous changes to Tennessee's sales and use tax laws. The legislature did this by enacting Chapter 357 of the Public Acts of 2003 and Chapter 959 of the Public Acts of 2004. Some of the changes had to be made in order for Tennessee to initially qualify as a Streamlined state.

Other changes made are necessary for Tennessee to be a participating state, but do not have to go into effect until a later time. Many changes made by Tennessee's Streamlined legislation simply shift provisions of the existing sales tax law to a privilege tax to preserve existing tax rates and exemption provisions.

What is the biggest change under Streamlined Sales Tax?

The most fundamental change under Streamlined Sales Tax is how we determine which state and local jurisdiction has the right to tax a transaction. Determining which jurisdiction has the right to tax is called "sourcing." Under Streamlined, Tennessee will determine which jurisdiction has the right to tax a transaction based upon destination or receipt by the purchaser.

Out-of-State Delivery Example:

Customer orders tangible personal property from a Tennessee dealer. The tangible personal property is shipped to the customer in another state.

Old Law	Public Chapter 357
Tennessee tax applies if title or possession to goods passed in Tennessee.	No Tennessee tax due; other state's tax law applies regardless of any indication of title or risk of loss passing in Tennessee.
To determine where title passes, Tennessee has looked to whether goods were delivered by the seller or by common carrier, who arranged shipping, and what the shipping documents say regarding passage of title.	Note that the sale is sourced to the state and local jurisdiction in which the customer receives the product regardless of how the product is delivered and who delivers it.

In-State Delivery Example:

Memphis customer orders tangible personal property from a Gatlinburg dealer. The tangible personal property is shipped to the customer in Memphis.

Old Law	Public Chapter 357
Tennessee state and local tax applies.	Tennessee state and local tax applies.
The Tennessee local rate to be applied and reported to the department is the local tax rate for the business location of the seller.	The Tennessee local rate to be applied and reported to the department is the local tax rate where the customer takes delivery or receipt of the product regardless of how the product is delivered and who delivers it.

Under Streamlined Sales Tax, receipt by a shipper *never* determines the location of a sale.

NOTE: The vast majority of sales are over-the-counter sales, and there will be no change to the sourcing of over-the-counter sales.

How is Revenue educating customers about the changes?

- The Department of Revenue is working on a comprehensive education campaign to advise taxpayers of the changes required for Tennessee to be in compliance with the Agreement.
- The department is providing speakers on the changes to organizations across the state and providing updates on the department's Web site.
- The department has made more than 70 presentations to chambers of commerce across the state.
- Department personnel have been making Streamlined presentations at tax seminars hosted by universities across the state.

For More Information

- Streamlined hot line: In Tennessee, call (877) 250-2299. In Nashville and outside Tennessee, call (615) 253-0752.
- Streamlined online assistance by e-mailing Streamlined.Salestax.QandA@state.tn.us.
- Web link: www.tennessee.gov/revenue/streamlined.
- E-mail updates: Sign up by visiting www.tennessee.gov/revenue and clicking on [Subscribe to Revenue-News](#).
- Speakers bureau: (615) 741-2461.

Tennessee Department of Revenue

The Department of Revenue collects approximately 92 percent of total state tax revenue. During the 2003-2004 fiscal year, the department collected \$9.1 billion in state taxes and fees. In addition to collecting state taxes, \$1.6 billion of local sales tax was collected by the department for local governments during the 2003-2004 fiscal year. Besides collecting taxes, the department enforces the revenue laws fairly and impartially in an effort to encourage voluntary taxpayer compliance. The department also apportions revenue collections for distribution to the various state funds and local units of government. To learn more about the department, log on to www.tennessee.gov/revenue.